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THE *Demand and Price* SITUATION

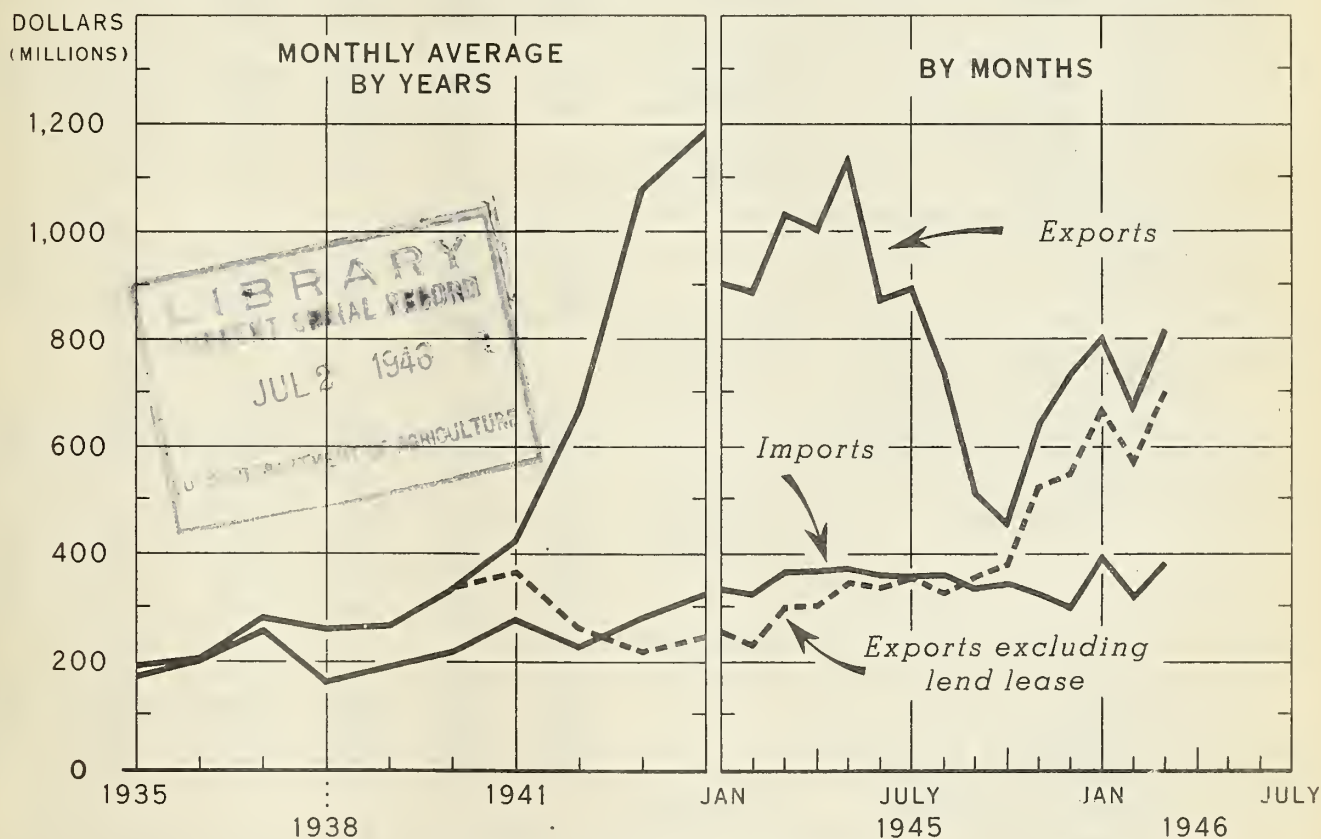
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.



JUNE 1946

EXPORTS AND IMPORTS, UNITED STATES MONTHLY AVERAGE BY YEARS, 1935-44, AND BY MONTHS, JANUARY 1945-MARCH 1946



SOURCE: U. S. DEPARTMENT OF COMMERCE

U. S. DEPARTMENT OF AGRICULTURE

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BUREAU OF AGRICULTURAL ECONOMICS

The value of both exports and imports rose during World War II. Lend-lease accounted for most of the huge increase in exports, while the shortage of shipping & the cutting off of sources of supply acted as brakes on imports. Reduced needs for war material after V-E day and then the termination of lend-lease following V-J day brought sharp declines in exports. Acute foreign needs for food, clothing and industrial goods have caused exports to rise in recent months. Some exports labeled lend-lease are still occurring. These are goods which were contracted for prior to termination of lend-lease but are essentially commercial exports in that they are being paid for in cash or are being financed by Export-Import Bank loans.

JUNE 1946

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1945			1946			
		Year	Apr.	Jan.	Feb.	Mar.	Apr.	
Industrial Production 1/	1935-39							
Total	= 100	203	230	160	152	168	163	
All manufactures	"	214	247	163	154	173	174	
Durable goods	"	274	336	166	138	182	187	
Nondurable goods	"	166	174	161	166	166	164	
Minerals	"	137	140	141	141	137	103	
Construction activity 1/	1935-39							
Contracts, total	= 100	118	122	186	237	256	263	
Contracts, residential	"	64	44	150	233	316	380	
Wholesale prices 2/	1935-39							
All commodities	= 100	131	131	133	134	135	137	
All commodities except farm and food	"	123	122	124	125	126	127	
Farm products	"	169	170	171	172	176	178	
Food	"	134	134	136	136	138	140	
Prices received and paid by farmers 3/	1910-14							
Prices received, all prod....	= 100	202	203	206	207	209	212	
Prices paid, int. and taxes..	"	174	173	177	178	180	181	
Parity ratio.....	"	116	117	116	116	116	117	
Consumers' price 5/ 6/	1935-39							
Total	= 100	128	127	130	130	130	131	
Food	"	139	137	141	140	140	142	
Nonfood	"	123	122	124	124	125	125	
Income	1935-39							
Nonagricultural payments 4/..	= 100	236	238	229	226	230	230	
Cash farm 3/	"	283	296	281	305	285	273	
Income of Industrial Workers 3/..	"	286	323	235	219	239	244	
Factory payrolls 5/	"	307	355	244	224	248	265	
Weekly earnings of factory workers 5/	Dollars:							
All manufacturing.....	"	44.41	47.12	41.15	40.55	42.14	42.38	
Durable goods	"	49.07	52.90	43.67	42.49	44.72	44.72	
Nondurable goods	"	38.30	38.80	38.75	39.03	39.87	40.17	
Employment								
Total civilian 7/	Millions	51.6	51.2	51.4	51.7	53.0	54.6	
Employees in nonagri. est. 5/	Thous.	36,981	37,791	35,818	35,360	36,271	36,721	
Farm 3/	"	9,844	8,982	7,732	7,799	8,263	9,121	
Government finance (Federal) 8/	Mil. dol:							
Receipts, net.....	"	3,837	2,929	3,819	3,678	5,747	2,677	
Expenditures	"	7,546	7,968	4,891	3,510	4,602	4,251	

Sources: 1/ Federal Reserve Board; converted to a 1935-39 base. 2/ U. S. Dept. of Labor, B. L. S. 3/ U. S. Dept. of Agriculture, B.A.E. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce. 5/ U. S. Dept. of Labor, B.L.S. 6/ Consumers' price index for moderate-income families in large cities. 7/ U.S. Dept. of Commerce, Bureau of Census. 8/ U. S. Dept. of Treasury. Data for 1944 are on average monthly basis.

 T H E D E M A N D A N D P R I C E S I T U A T I O N

Approved by Outlook and Situation Board - June 21, 1946

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DEMAND FOR FARM PRODUCTS

The demand for farm products continues at a high level. The flow of income to individuals has been well maintained despite the severe setback to industrial production imposed by work stoppages in coal and rail transportation. As the effects of recent strikes wear off, it is expected that industrial production will climb to a new peacetime high provided further large-scale stoppages are avoided.

The Federal Reserve Board index of industrial production declined from 168 in March (1935-39 = 100) to 164 in April and is estimated at about 160 for May. This index stood at 225 in May last year when production of war goods accounted for about two-thirds of the total. Thus a large part of the gain in industrial output which occurred in March following settlement of the steel strike has been cancelled. As a result of the coal tie-up, steel production, which had recovered to almost 90 percent of capacity in late March, fell below 50 percent in the latter half of May. Reduced coal and steel supplies checked the production of automobiles and many other durables in May. As a result, the time when production of goods will be adequate to meet present

requirements is appreciably further away. Following the settlement of the coal and rail transportation strikes, improvement in industrial production has been noted and a substantial increase in the index is anticipated for June. By the end of the year, the index of industrial production may advance almost 20 percent over the May level.

Income payments during April at an annual rate of almost 157 billion dollars were only slightly below the revised estimate for March of 158 billion dollars and less than 4 percent below the April 1945 estimate. For the first four months of 1946, income payments averaged only 4 percent below the record level for the comparable 4 month period in 1945 and 133 percent above the 1935-39 annual average. Higher wages and increased employment have tended to maintain labor income despite losses incurred in work stoppages. No significant change in the level of income payments occurred in May. Retail sales continued at boom levels.

Building and construction contracts awarded in April were more than twice as high as in April last year and have now attained a level comparable to the peak year of 1926. Residential building contracts awarded in April were seven times the level of a year ago. It is anticipated that further marked expansion in construction activity will occur despite shortages of materials and labor.

THE LABOR FORCE

According to the Census report covering the week of May 5-11, 1946, total civilian employment rose from 54,550,000 in early April to 55,320,000 in early May, largely as a result of the usual seasonal increase in agricultural employment. During the same period the total civilian labor force increased from 56,900,000 to 57,630,000. As a result, unemployment in May was almost the same as in the previous month, 2,310,000 in May compared with 2,350,000 in April.

With demobilization approximately four-fifths completed, further expansion in the civilian labor force is likely to be moderate, after allowance for the usual summer influx of students into the labor force. It is expected that these accessions to the labor force will be absorbed without difficulty. Expanding production may result in a tight labor market by the end of the year.

In early May, there were 2,010,000 persons absent from work because of strikes, illness, bad weather, or vacations, a figure slightly below April. There were about 850,000 veterans who had not yet begun to look for work, and are not counted in the labor force, a reduction of about 250,000 from the previous month.

COMMODITY PRICES

The broad advance in commodity prices evident since the beginning of the year continued throughout April and May. Pressures on the price structure have in no way been weakened. These pressures arise from inadequate production relative to demand, high-level incomes, and generally increased costs in prospect from recent wage-rate and ceiling-price increases. The trend continues upward, with the extent of the advance in the near future depending in considerable degree on price-control policy after mid-year.

The Bureau of Labor Statistics index of wholesale prices advanced from 108.9 in March (1926 = 100) to 110.2 in April, an increase of approximately the same magnitude as occurred in the preceding month. Since January, the wholesale price index has risen about 3 percent, reaching a level 4 percent above April 1945 and 37 percent above the 1935-39 annual average.

The index of prices received by farmers declined slightly during the month ending May 15, from 212 to 211 (1909-14 = 100) principally as a result of a sharp decline in truck-crop prices. Prices of grains were substantially higher reflecting partial adjustment to higher ceiling prices. Most other farm products showed moderate price increases. The index of crop prices in May was 215 percent of the 1909-14 average, 5 points lower than in April but 17 points above May 15, 1945. The index of prices of livestock and livestock products advanced 2 points to 207, five points higher than a year ago.

A substantial increase in the prices received index to a new post war high is anticipated for June reflecting principally adjustment to the new ceilings for dairy products and full adjustment to the higher grain ceilings established in mid-May.

The index of prices paid by farmers including interest and taxes (1910-14 = 100) advanced to 184 on May 15. This was a 3 point rise from a month earlier, the sharpest increase in almost 5 years. Since January, this index has risen 4 percent. As a result of this very substantial rise in the

index of prices paid, interest and taxes, and the slight decline in prices of farm products, the parity ratio declined from 117 on April 15 to 115 on May 15 compared with 116 a year ago. However, it is anticipated that the ratio will be higher in June resulting from a greater advance in farm product prices than in the prices paid by farmers.

The index of prices paid by farmers for commodities (excluding interest and taxes) on May 15 was 192 or 4 points above a month earlier. This index had increased 4 percent since January and was 7 percent above a year ago. Most of the increase in the past month was registered in the price index of commodities used in production, reflecting higher ceilings for feeds and other commodities.

FARM INCOME

Cash receipts from farm marketings during the first 6 months of 1946 are now expected to equal or exceed the total of 8,710 million dollars received in the same period last year. Receipts during the first quarter of 1946 were slightly lower than a year earlier; but this decline is being offset in the second quarter. First-half totals for both crops and livestock are expected to be close to last year's levels. Relatively heavy marketings of meat animals in recent months, especially of hogs, have maintained total receipts from livestock and products at the 1945 level. In the case of crops, increased receipts from grain marketings in the second quarter of the year have brought total receipts up near last year's level. Premium payments on wheat and corn, larger marketings as a result of the emergency grain-purchase program, and increases in the ceiling prices for most grains have all contributed to the increase in cash receipts from grains during the second quarter.

Farmers received almost 1,400 million dollars from marketings in April. This was a little more than in March, but not quite so much as in April 1945. Livestock receipts showed somewhat more than the usual seasonal gain, reflecting heavier marketings of hogs, cattle, and calves. But crop receipts in April were down from last year. This was partly a result of delays in the marketing of wheat and corn while the Emergency Purchase Program was being worked out and partly because some farmers who sold wheat did not cash their certificates at that time. Current monthly estimates of total cash receipts will include receipts from the sale of wheat under the emergency program only as the certificates are cashed.

Total cash receipts in May were probably about 10 percent larger than in April. A 20 percent increase in crop receipts resulted largely from heavy marketings of wheat and corn at higher prices and added premiums. Cash receipts from livestock and products in May were only slightly higher than in April as a result of seasonal increases for dairy and poultry products.

In June, both crop and livestock receipts are expected to total about the same as in May. Seasonal increases in receipts from fruits and vegetables are likely to offset a decline in grain receipts from their high level in May. Total receipts from livestock and products will probably be maintained fairly well as a result of further seasonal increases for dairy products.

LIVESTOCK AND MEATS

Meat-animal prices have continued to rise steadily since early winter and prices in June generally were the highest since August 1919. High consumer incomes indicate a strong demand for meat through the first half of 1947. Total meat production in 1947 may be a billion pounds less than the 22.6 billion pounds, dressed meat basis, now forecast for 1946.

Total meat production through May was close to the level of a year earlier, despite a material decline in the number of cattle and calves slaughtered under Federal inspection. Cattle and calf slaughter in non-federally inspected plants was a record in the first 4 months of 1946, offsetting most of the reduction in federally inspected slaughter. Total cattle marketings for slaughter have fallen off sharply in recent weeks, reflecting uncertainty as to removal of price controls. As cattle numbers are only moderately below a year earlier, slaughter of grass cattle in the second half of this year promises to be large. Since April, lamb slaughter has been materially below levels of a year ago and will continue below last year because of the smaller number of lambs raised this year.

Hog slaughter probably will continue larger than a year earlier through the remainder of 1946. Hogs from the 1946 spring pig crop probably will be marketed earlier this year than those from the 1945 spring crop, reflecting less favorable hog-feed price relationships than a year ago. Short supplies of feed concentrates and higher feed prices together with this year's lower production goal will result in a smaller 1946 fall pig crop than the 35 million of 1945.

Early marketings of 1946 spring pigs and reductions in the fall pig crop this year will be reflected in lower pork output beginning in early 1947. Unless the spread between feeder and fed cattle prices widens this summer and fall and unless feed-grain production is large this year, the number of cattle fed for market during the winter and spring will be less than in 1946. The lamb crop probably will be smaller next year, which will be reflected in a further reduction in lamb and mutton output.

DAIRY PRODUCTS

Prices of dairy products were being adjusted upward during June as a result of the dairy price program announced by the Office of Economic Stabilization on May 29. Retail prices of fluid milk were increased one cent per quart in most markets of the nation during the first week of June. Price increases at wholesale were 10 cents per pound on butter, 35 cents per case on evaporated milk and 5 cents per pound on cheese. These increases are sufficient to enable processors to pay farmers producing milk for these dairy items around 40 cents more per hundred pounds for milk and about 12 to 13 cents more per pound for butterfat. Compared with returns to farmers (including production payments) in mid-June 1945, these increases would be equivalent to 12 percent for milk at wholesale and 17 percent for butterfat. Costs of dairy rations in mid-May this year were 17 percent higher than in mid-June of 1945.

The demand for milk for fluid uses at prevailing ceiling prices has been almost fully satisfied in the past few weeks, but total demands for manufactured products have continued to exceed available supplies. Outlets for direct fluid uses and for ice cream have continued to absorb a larger proportion of the near-record total farm milk production than last year, leaving smaller quantities

for manufactured items, particularly butter, evaporated milk and cheese. Ice cream production in the first quarter of 1946 was 95 percent larger than in the corresponding period of last year, but total consumption of fluid milk and cream was up only slightly over a year earlier. Production of butter in the first four months of this year was smaller than a year earlier by 28 percent; evaporated milk by 27 percent and total cheese by 9 percent.

With excellent over-all pasture conditions, milk production per cow has continued to average above the previous record of a year earlier. Feeding rates were still above average but had declined more than seasonally. Total output of milk in May was 1.2 percent smaller than in May last year and the total for the first 5 months was down 2 percent from the record for that period reached in 1945, reflecting a smaller number of milk cows.

POULTRY AND EGGS

Egg prices may average slightly below a year earlier during the last six months of 1946. Civilian supplies will be at least as large as last year, since near-record cold-storage holdings of shell and frozen eggs will offset any likely decline in farm production.

The increase in feed prices during May reduced the egg-feed price ratio to 6 percent below the average for 1935-44 and 16 percent below mid-May 1945. This less favorable price relationship together with widespread difficulties in obtaining feed has resulted in heavy early culling of laying flocks and a sharp reduction in hatchings. The number of young chickens on farms June 1 was 7 percent smaller than a year earlier. The much smaller hatch of chicks after June 1 this year will result in the final figure for 1946 being reduced further than is indicated by the June 1 reduction in numbers on farms.

Prices received by farmers for poultry meat in the second half of 1946 probably will average about as high as in the second half of 1945. Output of chicken and turkey in the second six months of this year will be significantly below the second half of 1945, but the large carry-over of cold-storage stocks will leave almost as much poultry meat available as in the corresponding period of last year. Sales of chickens by farmers probably will be completed earlier than last year since hatchings were earlier than in 1945 and birds may be sold at lighter weights.

FATS, OILS, AND OILSEEDS

Recent developments point to a decline in domestic output of fats and oils in 1947. The total probably will be less than 9 billion pounds compared with the wartime peak of 10.8 billion pounds reached in 1943 and 1944, an output of 9.4 billion pounds in 1945, and an expected production of about 9.2 billion pounds in 1946. Livestock-feed price relationships are now distinctly unfavorable to feeders, particularly of hogs and cattle, as a result of the sharp increases in prices of feed grains and oilseed meals in early May. Lard production may decline 10 to 15 percent in 1947, and output of tallow and greases may be down 5 to 10 percent. The soybean-corn and flaxseed-wheat price ratios under the new ceilings for corn and wheat are considerably below the average for the war years. Although reports on acreage are not yet available, both soybean and flaxseed production are likely to be smaller in 1946 than in 1945. This will be reflected largely in reduced oil output in 1947.

Supplies of fats and oils for civilian use in 1946 probably will total moderately less, per person, than in 1945. If quotas on manufacturers' use of fats and oils for civilian use remain at present levels, the reductions in food and soap use will more than offset an increase in use in paints, varnishes, floor coverings, and oilcloth. Production and imports of fats and oils will be moderately smaller this year than in 1945, while exports will be maintained at a high level in relation to prewar. Stocks of fats and oils at the beginning of 1946 were nearly 450 million pounds (20 percent) smaller than a year earlier. These factors more than offset a drastic reduction this year in procurement of fats and oils by the armed services.

Prices of fats and oils remain at ceilings. Factory and warehouse stocks of fats and oils on May 1, totaling 1,608 million pounds, crude basis, were the smallest recorded since 1936, when output was curtailed by drought.

CORN AND OTHER FEED

Demand for feed grains and byproduct feeds is expected to continue strong during the next few months even with abundant green feed available in nearly all sections of the country. The recent sharp increase in ceiling prices of feed, which caused relatively unfavorable livestock-feed price relationships, apparently did not result in any immediate lessening in the commercial demand for feed. Livestock feed requirements during the last half of 1946 probably will be smaller than during the last half of 1945 as a result of lighter concentrate feeding of most livestock and of decreases in numbers of livestock, particularly chickens.

Commercial supplies of corn, which have been small relative to demand for several months, probably will continue small at least until new-crop corn becomes available in volume next fall. Market supplies of barley are likely to be relatively small during most of the 1946-47 crop year. Market supplies of oats, on the other hand, probably will be relatively large during most of the 1946-47 season.

The current strong demand for feed grains and byproduct feeds is supporting prices at the higher ceilings which became effective May 13.

The season to mid-June was mostly favorable for feed crops except in the Southwest, and given average or better growing conditions during the summer, fairly large feed-grain and hay supplies may be expected for the 1946-47 feeding season. On June 1, progress of corn planting was at least average in the Corn Belt and the country as a whole. The second largest oats crop of record is in prospect for this year; the June 1 forecast of nearly 1,493 million bushels of oats is only 3 percent below the record crop harvested in 1945. However, barley production during 1946, indicated on June 1 at 231 million bushels, would be the smallest since 1937.

WHEAT

With prospective export demand very large again in 1946-47, wheat prices are expected to continue at ceiling levels. It is the intent of the Department of Agriculture to export 250 million bushels during the 1946-47 marketing year, on the basis of a production of one billion bushels. Wheat production prospects in most importing countries are indicated to be better than last year, but world wheat imports will continue large through 1946-47.

In order to reduce domestic use of wheat and thereby increase the quantity available for export, all controls now in effect will be continued in 1946 either as they are or in modified form. In order to expedite the delivery of the wheat for export, an amendment to War Food Order 144, effective May 24, requires that (1) Producers in 26 important wheat States shall sell at least half of the milling wheat (wheat grading No. 3 or better, or grading 4 or 5 on test weight) delivered to country, subterminal, or terminal elevators, or merchandisers, millers or other processors (wheat delivered for the account of the CCC is excepted); (2) Such receivers shall set aside for delivery to the CCC not less than one-half of the milling wheat purchased from producers. On the other hand, the amendment also provides for an increase in the quantity of wheat which may be used by millers, effective July 1, to 85 percent of the 1945 monthly average, as compared with a 75 percent provision in the period from April 1 to June 30. This change together with greater availability of wheat will result in a substantial increase in domestic use, compared with recent weeks, especially for mills that have been unable to obtain enough wheat to grind up to their 75 percent level. However, the total for domestic flour in the 1946-47 year is expected to be the lowest in more than a quarter of a century. As a result of the higher extraction rate, the decline in flour consumption will not be so large as indicated by the reduction in the quantity of wheat processed.

Since May 24, the CCC has been paying ceiling prices for new-crop wheat bought as part of the 250 million bushels to be acquired under the set-aside purchase program. The export goal of 250 million bushels was based on a very tentative estimate of domestic utilization. Included in the total estimate in million bushels (estimates for 1945-46 in parentheses) are: Food 450 (494), feed 150 (328), seed 82 (82), and industrial use 2 (21). On the basis of a billion-bushel crop, this would permit an increase in carry-over on July 1, 1947 of more than 60 million bushels. The carry-over of old wheat on July 1, 1946 is expected to be about 100 million bushels -- the lowest since the 83 million in 1937.

Wheat production this year as indicated on June 14 will be 1,033 million bushels consisting of 809 million bushels of winter wheat and 224 million of spring wheat. A production of this size would be our fourth billion-bushel crop.

FRUIT

Continued high prices for fruit in general are in prospect this summer. Consumer demand for fresh and processed fruits remains strong, and processor demand for fruit is expected to provide keen competition for available supplies. Supplies of 1946-crop deciduous fruits will be slightly larger this summer than last but those of citrus will be somewhat smaller. Stocks of canned deciduous fruits at the beginning of the 1946-47 packing season are the smallest in several years.

Prices for oranges and grapefruit are expected to continue at ceilings for the preferred grades and sizes, while prices for lemons, which have been considerably below ceilings all winter and spring, probably will approach ceiling levels. Supplies of oranges will be considerably smaller this summer than last but still up to the average of recent years. Lemon supplies will be slightly smaller than the above average supplies last summer, and those of grapefruit will be about the same as last summer although seasonally small.

The 1946 season for fresh peaches, cherries, apricots, and plums is fast getting underway, with carlot shipments increasing weekly. Prices for this year's near record-crop of peaches opened at or near ceilings, which are slightly higher than last year, but may decline temporarily after markets become well supplied. Prices for cherries on the New York City and Chicago auction markets opened considerably higher than a year earlier, when ceilings were in force, but declined in following weeks to levels near those of last year.

TRUCK CROPS

Prices for most truck crops sold on the fresh market this summer are expected to be moderately lower than a year earlier. Indications June 1 were that total production would be about 1/5 larger this summer than last. Largest increases in production over last summer are indicated for cantaloups, green peppers, onions, watermelons and celery.

The index of prices received by farmers for truck crops (which reflects prices received during the first half of each month) dropped sharply from 282 in April to 177 in May; thus bringing the index well below that of 193 for May a year earlier. The break in prices resulted from the pressure of seasonally increasing supplies of truck crops, deterioration of quality in some areas because of excessive rainfall, heavy shipments from the record-large early commercial potato crop, and the disruption of shipping schedules arising from the railroad strike. In late May and early June, however, prices for most truck crops recovered rapidly, though remaining below last year's levels for corresponding weeks.

Prices to growers for truck crops produced for processing are expected to average about as high this year as last. To enable canners to pack and sell certain vegetables at civilian ceiling prices, an interim subsidy program has been announced, covering that portion of the 1946 pack produced prior to July 1, 1946. Decisions with respect to the subsidy program for production on and after July 1 will be made after Congress has acted on the general question of continuing subsidies. The interim program covers production for civilian sale of canned sweet corn, green peas, green pea soup, tomatoes, tomato juice and other principal tomato products. The program and rates are substantially the same as in 1945.

POTATOES

In spite of a continued strong demand for food and the attention that will be directed toward potatoes as a partial substitute for cereals, prices received by farmers for potatoes during July and August are expected to stay near support levels because of relatively large supplies yet to be marketed out of this year's record-large crop of early commercial potatoes. At such levels, growers would receive prices which would average about 10 percent lower than prices actually received in corresponding months last year.

Government purchases of early potatoes for price-support purposes are being made at a record-high rate. Because of their inability to get grain, distillers, who ordinarily would use grain as a much cheaper source of material for alcohol manufacture, are furnishing an outlet for most of the potatoes acquired by the Government under the price-support program. Military and foreign requirements for dehydrated potatoes have fallen off to considerably less than one-half the quantity dehydrated last year.

WOOL

The production of civilian wool fabrics has shown marked improvement so far during 1946. Fabric production for the first quarter of 1946 was 15 percent above the last quarter of 1945 and output of wool fabrics for the second quarter is expected to be slightly in excess of the first quarter. The increase in the production of men's wear fabrics in the first quarter was slightly larger than the production of women's wear fabrics. CPA has indicated that the scheduled output of wool apparel fabrics in the second quarter shows a drift toward the heavier fabrics and to a greater production of worsteds which are utilized for men's suits. With the high level of fabric output now attained there is a good possibility that other production problems will be solved so that a more balanced supply-demand relationship in wool apparel will be reached by next year.

Total mill consumption of apparel wool continued high in April, equivalent to an annual rate of 1,100 million pounds, grease basis. Apparel wool consumption in 1946 is likely to be close to a billion pounds, a consumption much higher than in any previous peacetime year. There has been some further increase in the consumption of domestic wool lately. Commodity Credit Corporation sales to dealers and mills in April were over twice as large as in March, resulting in some decrease in Government stocks even though there were large Government purchases of mostly pulled wool. Imports of raw wool so far this year have been very large, but they may be smaller during the next few months as this is in between seasons for Southern Hemisphere countries.

COTTON

The price for Middling 15/16-inch cotton at the 10 spot markets advanced from an average of 27.83 cents a pound in the last week of May to a new high since the middle twenties of 29.08 cents on June 10. The strength appears to be due to (1) pending legislation dealing with the removal of price controls, (2) the 50 point increase in the parity price of cotton from mid-April to mid-May, (3) unfavorable reports on weather and crop conditions coming from the cotton producing area, and (4) a reduction in domestic stocks resulting from high mill consumption, export programs and last year's small crop.

Mill consumption for the crop year ending July 31 is now estimated at 9.1 million bales, which compares with 9.6 actually consumed a year earlier. Currently, however, consumption is running above the annual estimate and, despite the effects of the coal strike, mill consumption in April, May and June will average well above the rate during the first eight months of the crop year.

Demand for American-type cotton produced in Argentina, Brazil, and Mexico has been expanding as countries formerly occupied by Axis forces and the Axis nations themselves re-enter the world cotton market. As a result, prices of this type of cotton have made strong advances, but at the same time United States prices also advanced. Consequently, the export payment program has been continued with the 4-cent payment unchanged until further announcement.

TOBACCO

Auction markets for Maryland tobacco, the only type of tobacco being marketed in volume, opened on May 21. Between that date and June 8 about 18 percent of the crop or 3,880 thousand pounds were sold at an average price of 55.98 cents per pound, 0.6 cents a pound above the record high established during the first two weeks of last season. The absence of ceiling prices has permitted advances in the prices of the better grades beyond those received for corresponding grades a year earlier. On the other hand, prices for the poorer grades have declined below those of last year. Thus, price differentials between grades are widening compared with the narrow differential which developed under price control.

On the opening day, bid prices were so much below last year's level that farmers withheld offerings to such an extent that certain of the auctions were closed. On succeeding days, however, the reluctance of farmers to sell at prices appreciably below a year earlier forced price increases to levels consistent with this season's supply of and demand for Maryland tobacco. Supplies of Maryland tobacco this season are 10 percent below those of a year earlier and export demand this season is above that last year. Total domestic demand for cigarettes, the chief use of Maryland tobacco, is down a little due to decreased military takings but is still near record levels.

RECENT DEVELOPMENTS IN U. S. FOREIGN TRADE

Some important developments in the field of foreign trade have occurred during the past few months. Lend-lease was terminated shortly after V-J Day, and military shipments to United States forces abroad began to taper off. Some wartime import and export controls have been lifted both here and abroad. The Federal Government has been withdrawing from the import purchasing field. Foreign governments are considering turning the trade functions of their purchasing missions over to private traders. Increasing UNRRA exports of United States merchandise and rising commercial exports have offset a large part of the effects of the termination of lend-lease. Decreases in United States imports of war materials since V-J Day have been more than replaced by larger purchases of peacetime goods.

United States foreign trade is of great importance to farmers. Most important at the present time is the huge direct demand for American farm products to help meet the world food emergency. This direct demand will taper off as foreign agricultural production recovers, but exports of nonagricultural products will become increasingly important in the domestic demand situation for farm commodities by adding to business activity and consumer incomes in the United States.

Short-Time Outlook for Exports Favorable

Foreign countries are greatly in need of food, clothing, housing, and a wide range of industrial goods for industrial reequipment and expansion. Because of its great productive capacity, the United States is expected to supply a considerable part of these requirements. Funds for payment are now being provided in large part by UNRRA, by foreign balances of gold and dollar exchange accumulated in this country during the war, and by the extension of credit. On July 31, 1945, the limit on outstanding loans and guaranties of the Export-Import Bank was raised from \$700 million to \$3.5 billion.

New loans, including loans to France totaling \$1.2 billion have been negotiated, and a part of the resources of the Bank are still uncommitted.

During the war, exports of U. S. merchandise rose to an all-time high of more than \$14 billion in 1944, compared with a little over \$3 billion in 1938. Most of the wartime increase in exports was accounted for by lend-lease which began in 1941. Of total exports in 1944, nearly \$11,300 million or about 80 percent were lend-lease, of which \$1,600 million were agricultural commodities, and \$9,675 million were nonagricultural products. Exports dropped sharply with the termination of lend-lease in 1945. From \$1,119 million in the month of V-E Day (May), total exports declined to \$441 million in October. Since then the trend in monthly exports has been upward due both to larger commercial exports and to a partial replacement of lend-lease by UNRRA shipments. In April 1946, total exports were valued at \$739 million, more than 3 times the average monthly value in the years 1935-39. Commercial exports, since they exclude UNRRA and lend-lease, show a somewhat smaller rise. Exports of United States merchandise by UNRRA rose from \$5.1 million in the first quarter of 1945 to \$194 million in the fourth quarter, and are estimated to have exceeded \$300 million in the first quarter of this year.

Owing to a higher level of prices, the increase in quantities has been less than the figures for value of exports indicate. Even so, the index of the quantity of exports in January and February (the most recent months available) averaged twice as high as in the prewar period.

Longer-Time Outlook for Exports Dependent Upon Imports

Prospects for exports of United States merchandise are not necessarily so favorable from a long-time as from a short-time point of view. Basically, there are only a few ways by which foreign buyers may finance imports from the United States. One of these is through the use of existing holdings of gold and dollar exchange. It is reported that on December 31, 1945 such gold and exchange holdings were in excess of \$20 billion as compared with \$15 billion at the end of 1938; but this is hardly proportionate to the rise in prices. Furthermore, several of the countries most important in international trade and as purchasers of United States products in normal times had their resources of gold and dollar exchange greatly depleted during the war. Secondly, foreign countries could ship to the United States most of their current production of new gold. But such shipments would not be sufficient to sustain a large volume of trade and, furthermore, would be economically undesirable from the standpoint of the United States because we would be giving up commodities in exchange for the gold. Another method by which foreigners may obtain dollar exchange is through the extension of loans by the United States. During the next few years, while foreign countries are restoring and expanding their productive capacity, loans from the United States will play an important part in enabling foreign purchase of commodities from this country. However, if loans are not to become gifts, interest and amortization payments will rise relative to new loans and presumably sooner or later surpass the value of new loans

1/ Export goods contracted for prior to termination of lend-lease are still officially classified as lend-lease exports. However, these are really commercial exports in the sense that they either are being paid for in cash or are being financed by Export-Import Bank loans.

This means, of course, that in the long run foreign countries must obtain the dollar exchange necessary to purchase exports of the United States and repay loans extended by the United States from the sale of merchandise and services to this country. Consequently, if the exports of the United States are to continue to grow, its imports must show an even greater expansion. Before the war, foreign countries obtained considerable dollar exchange from the net sale of shipping services to the United States, the expenditures of American tourists, immigrant remittances, and other invisible items. Expenditures of American tourists probably will be larger than before the war and the other items will reappear to some extent but the total will be small as compared with United States merchandise imports.

Table 1.- United States exports of U. S. merchandise, prewar, war period, and postwar monthly comparisons

period, and postwar monthly comparisons						Index of
Period and month	Exports-Value				quantity of	
	Lend-	UNRRA	Other	Total	total exports	
	lease				1935-39=100	
	Mil.	Mil.	Mil.	Mil.		
	dol.	dol.	dol.	dol.		
<u>Prewar period</u>						
1935-39 monthly average	0	0	236	236	100	
<u>War period</u>						
1940 monthly average	0	0	328	328	134	
1941 monthly average	60	0	358	418	160	
1942 monthly average	411	0	256	667	209	
1943 monthly average	862	0	208	1,070	305	
1944 monthly average	941	0	230	1,180	295	
1945 Jan.-Aug. average	627	14	275	915	235	
War period monthly average :	475	2	278	755	222	
<u>Postwar months</u>						
1945 September	1/ 156	35	309	500	245	
October	1/ 72	36	333	441	125	
November	1/ 111	73	428	612	173	
December	1/ 186	86	443	715	206	
1946 January	1/ 127	123	526	780	223	
February	1/ 98	85	455	651	183	
March	1/ 115	97	569	788		
April	1/ 79	87	572	739		
Average of 8 postwar months:	118	78	454	652		

1/ All lend-lease exports after August 20, 1945 have been paid for in cash or are being financed by Export-Import Bank loans under Section 3c of the Lend-Lease Act.

Imports Rising, but Hampered by War's Aftermath

The impact of the war on imports was quite different from that on exports. Raw materials having a high priority for war production were given right of way, but imports of many commodities were reduced either by the shipping shortage or because of the cutting off of sources of supply. As a result, total imports showed a much smaller increase during the war than exports. Since V-J Day, imports have increased moderately, and in April were valued at \$393 million compared with a monthly average of \$274 million from January 1940 through August 1945, and \$195 million in the period 1935-39. At prewar prices, import quantities since V-J Day have averaged only a little above the prewar level.

A number of factors are delaying the growth of imports. In the former enemy or enemy-occupied areas, production capacity is limited by shortages of raw materials and industrial equipment and damage to transportation, communication and harbor facilities. In some countries, exchange restrictions are interfering with sales to the United States. In these areas, prices have risen much more than in this country, and without exchange-rate adjustments it is not possible for their products to be imported into the United States and sold under existing price ceilings. However, present levels of United States imports are small in relation to prevailing levels of industrial activity and consumer buying power, and imports should increase considerably as the above-mentioned obstacles are overcome.

During the war the value of imports from Canada, other Western Hemisphere countries, Oceania, and Africa, increased sharply while imports from Europe and Asia decreased markedly. Imports of specialized manufactures from Europe and imports of rubber, tin, oilseeds, and other foodstuffs and raw materials from Asia have increased in recent months and should rise further as these areas revert to a peacetime basis.

In the long run, the most important factors which would operate to encourage United States imports are a high level of economic activity in the United States, expanded productive capacity in foreign countries, and reduced world trade barriers, including the trade barriers of the United States. If the British loan agreement becomes law and the world Monetary Fund and World Bank operate successfully, a trend toward a larger volume of international trade will be encouraged.

Table 2.- United States imports for consumption, prewar, war period, and postwar monthly comparisons

Period and month	Value			Quantity indices	
	Agricultural imports	Non-agricultural imports	Total imports	Agricultural imports, 1935-39 = 100	Total imports, 1935-39 = 100
	Million dollars	Million dollars	Million dollars	Percent	Percent
<u>Prewar period</u>					
1935-39 monthly average ..	99.4	95.6	195.0	100	100
<u>War period</u>					
1940 monthly average	107	105	212	107	101
1941 monthly average	139	129	268	129	120
1942 monthly average	106	125	231	77	90
1943 monthly average	126	157	282	82	100
1944 monthly average	151	172	323	88	109
1945 Jan.-Aug. average	150	201	351	85	114
War period monthly average:	129	145	274	95	105
<u>Postwar months</u>					
1945 September	141	188	329	91	107
October	139	205	344	87	111
November	121	192	313	75	101
December	109	171	280	64	189
1946 January	193	206	400	92	125
February	149	157	307	77	96
March	190	183	373	89	
April			393		
Average of 7 postwar months:	149	186	335	82	